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REMARKS TO 2006 NEW ZEALAND PETROLEUM CONFERENCE
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**The U.S. Perspective:
Energy and Petroleum Exploration Investment**

It gives me great pleasure to talk about energy and petroleum investment, a subject I feel quite passionate about. In fact, I think people who work in the energy development field – including most of you in this room – have one of the most important jobs in the world. The future of people in all countries – in developed nations, and especially in developing nations – very much depends on you.

As many of you may know, I am not from the energy industry. I'm the American Ambassador in New Zealand, and the main energy I've expended in the months since my arrival here has been to meet New Zealanders -- as many as I can. A number of years ago, my wife worked on a farm on the South Island. She is happy to be back, and we are both just thrilled to be here. I'm pleased to report that my 10-year-old son already is playing rugby. And, I realize that I won't be able to get to all 500 wineries, but I'm giving it a good go.

I'm originally from the restaurant industry. My friends and I got into the business nearly four decades ago for what was probably the worst of reasons. We wanted to meet girls. Some of them seemed to hang out in bars, so we thought, let's open a bar that would appeal to girls. With a hundred-dollar investment each, we did just that.

In business, it's important to know your goal. We were extremely fortunate that one by-product of our plan was a viable business that eventually grew into a nationwide chain of restaurants. You ask, what does meeting women have to do with talking about oil and petroleum? Well, business is all about clearly identifying your objective.

In your case, the objectives are changing. When it comes to energy, we are all in the midst of a fundamental shift, not only in how we find, develop and consume energy, but even in the way we think about our energy use and our energy needs.

I don't need to tell you that global energy needs are going up dramatically. My government estimates that in less than 20 years, worldwide energy demand will increase by almost 50 percent.

So, one of the best things we can do both here in New Zealand and in the United States is to encourage the search for new energy supplies while also using energy more efficiently.

We've got U.S. exploration companies making significant contributions here, with some of the best quality equipment. Am I allowed to say that? Am I allowed to brag? Surely I'm too short to be a tall poppy. ... Anyway, I can't help myself. I'd point out that the United States is the leading supplier of oil and gas equipment to New Zealand. Equipment imports rose about 40 percent in 2004 in New Zealand over the previous year. I am confident that, as long as barriers to their investment are minimal -- as they are in New Zealand -- U.S. companies will continue working with New Zealanders to explore for more fossil fuels.

At the same time, I know that oil and gas investment in New Zealand is not a given. I'm told that New Zealand is relatively lightly explored and that higher gas and oil prices have sparked increased interest in expanded exploration here. However, I'm told that the remoteness and size of the market here are issues.

There are other factors that companies consider before investing. In the United States, we recognize that the oil and gas industry faces many barriers imposed by the government. They include complex and frequently overlapping environmental regulations and a difficult permitting process for new or expanded capacity. Americans currently consume billions of cubic feet of natural gas a year, much of it imported. Meanwhile, we are sitting on more than 160 trillion cubic feet of gas reserves. It is estimated that we have 10 times that, which we can't access because of environmental concerns.

While the U.S. government expects the industry to be a good steward of the environment, the government also is taking steps to ensure that environmental regulations are reasonable. The U.S. government is working to improve the permitting process. And, we look to industry to help us find innovative and sensible solutions that advance our energy security. It's a difficult balance: ensuring that our businesses are competitive and creating an environment that spurs energy exploration and development, while protecting the environment and encouraging energy conservation.

The days of easily accessible oil are drawing to a close. Prospects for profitable oil exploration and development in many parts of the world are dwindling. In other regions, there are considerable political or economic risks in sinking an exploratory well. Increasingly, global oil demand will have to be met by developing petroleum resources that involve serious challenges, both technical, and often political.

Recent events have caused many of us to question our basic assumptions: about long-term supplies of plentiful, cheap energy; about the strength and reliability of our energy infrastructure; and about the relationship between energy markets and national security. The U.S. dependence on foreign sources of energy is a national security problem, as well as a challenge to the economy and Americans' quality of life.

For this reason, since 2001, the U.S. administration has spent nearly 10 billion dollars (about 15 billion New Zealand dollars) to develop cleaner, cheaper, and more reliable energy sources. In the past year, the United States has taken a number of steps toward improving its long-term energy security. In July 2005, the U.S. Congress passed a law that will encourage energy efficiency and conservation, promote alternative and renewable energy sources, increase domestic production, modernize the electricity grid, and encourage the expansion of nuclear energy. While not perfect, the bill had broad bipartisan support.

And, on January 31, President Bush outlined his Advanced Energy Initiative, which focuses on technology that will help us meet the energy challenges we face. To change how we power our homes and offices, the U.S. government will increase funding of research in technologies such as zero-emission coal-fired plants, revolutionary solar and wind technologies, and clean and safe nuclear energy. To change how we power our automobiles, the U.S. government will increase funding for research in better batteries for hybrid and electric cars and in pollution-free cars that run on hydrogen. And since two-thirds of energy research in the United States comes from the private sector, the President has asked that the tax credits for such research become a permanent part of our tax code, rather than be renewed annually as is now the case.

Even before this initiative, Americans have been developing alternative energy sources. I've watched with interest New Zealand's growing use of wind power. Last year in the United States, wind power produced a record 9,149 megawatts of energy. That's just half of one percent of our energy needs. But by next year, that number will increase to 12,000 megawatts. That could power up to 12 million homes. In one town – Mason City in Iowa – the city council just approved rules that will allow windmills in commercial, residential, and industrial areas. Tom Hurd, an architect in that town, plugs into two 10-meter-tall windmills outside his office for 90 percent of his business' energy needs. Tax credits and low-interest loans are encouraging people to invest in wind power, even small-scale mills such as Mr. Hurd's. Two weeks ago, President Bush told the National Renewable Energy Lab in Colorado that wind turbines could potentially account for 20 percent of America's energy needs.

We're looking at alternative fuels, too. A U.S. Department of Agriculture lab in Illinois is researching ways to modify vegetable oils so that they can be used to power cars and industrial machinery. In fact, that reminds me of my friend Cam Healey, who owns Kettle Chips, a company in Oregon that makes American-style potato chips and sells them internationally. Cam reprocesses his cooking oils, which heat his plants and end up in the gas tanks of his delivery trucks.

President Bush also has called for more research into ethanol production, not just from corn, but also from new sources such as wood chips and switch grass. With other new technologies, this could help us meet the President's goal of reducing our dependency on Middle Eastern oil by 75 percent by 2025.

So you see, that's one reason I think you in the energy field have some of the most important jobs in the world. But it's not just about finding more petroleum and gas and developing new energy sources in order to provide power to the United States, New Zealand, and other wealthier nations. It's not just about our energy security.

It's about world security. When the price of petrol goes up, you and I feel it at the gas pump, and in the money we spend to heat our homes. That's serious. But as oil prices rise, people in the least developed countries are the biggest losers. According to a 2004 Asian Development Bank report, about 1.9 billion people, or 60 percent of developing Asia's population, still live on an average of less than two U.S. dollars a day. Think about the impact that rising energy costs have on impoverished people. And then think about this region's need for lower cost, secure energy supplies. If energy costs stunt economic growth, developing countries would only fall further behind. There would be even greater potential for more terrorism and other illicit activities.

It's no wonder, then, that China and India – which together are home to more than 80 percent of Asia's poor – have joined with the United States, Australia, Japan and the Republic of Korea in the Asia-Pacific Partnership on Clean Development and Climate. This is a multilateral public-private partnership to enhance energy security, to promote economic growth and to reduce greenhouse gases. In the federal budget for fiscal year 2007 that he has just released, President Bush proposes spending 52 million dollars to support the work of the Asia-Pacific Partnership with plans to continue strong support for years to come.

New Zealand has great experience and interest in renewable fuels, biofuels and other ways to both increase energy and protect the environment. From capturing the power of wind to harnessing geothermal energy, New Zealand is demonstrating how to generate more energy while producing less pollution.

And, so I wonder: Could this call for new technology -- for new ways to create a secure supply of energy -- provide an additional opportunity for cooperation between our countries? Could it give us another common objective? I believe clearly that it does. I'd be very interested in hearing your views on this.

My best wishes to you for a productive conference.